

**GRANT PROGRAM SCOPING CONSIDERATIONS  
PROPOSITION 50, CHAPTER 8  
INTEGRATED REGIONAL WATER MANAGEMENT**

The information presented below was designed to present to the public and interested agencies concepts being considered and issues to be resolved prior to developing draft solicitation and evaluation guidelines for the Integrated Regional Water Management (IRWM) Program.

**PART ONE – GENERAL INFORMATION ON CHAPTER 8**

**A. BACKGROUND, GOALS AND OBJECTIVES**

In November 2002, California voters passed Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002. This grant program implements Chapter 8 of Proposition 50 (Integrated Regional Water Management projects), California Water Code (CWC) Section 79560 *et seq.* The intent of Chapter 8 of the Proposition 50 is to provide funding for competitive grants for projects to protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. For additional information on Proposition 50, see “Summary of Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002,” available at:

<http://www.dpla2.water.ca.gov/grants-loans/pdfs/Prop50summary.pdf>

**B. KEY REQUIREMENTS OF PROPOSITION 50 AND CHAPTER 8**

**B. 1 – General Requirements** (the applicable CWC Section is shown in parenthesis at the end of each item).

- a. State agencies shall conduct two public meetings to consider public comments prior to finalizing the grant solicitation guidelines and criteria. Each state agency shall publish the draft solicitation guidelines and criteria on its Internet Web site at least 30 days before the public meetings. [79505.6(a)(2)]
- b. To the extent feasible, each state agency shall provide outreach to disadvantaged communities to promote access and participation in the public meetings for the draft guidelines and criteria. [79505.6(a)(2)]
- c. The guidelines may include requirements for matching funds. [79505.6(a)(3)(A)]
- d. With certain exceptions, a state agency may not require matching funds for a grant to assist a disadvantaged community. [79505.6(a)(3)(B)]. The State Water Resources Control Board (SWRCB) may not waive the matching fund requirements for its IRWM Grants. [79505.6(a)(3)(B)(ii)]
- e. Activities funded under Proposition 50 shall be in compliance with the California Environmental Quality Act (CEQA). (79506)

- f. For grants and loans programs, State shall provide technical assistance to disadvantaged communities on the preparation of the applications for those grants or loans. (79506.7)
- g. Any project that will wholly or partially assist in the fulfillment of one or more of the goals of the CALFED Bay-Delta Program shall be consistent with the CALFED Programmatic Record of Decision (ROD), and shall be implemented, to the maximum extent possible, through local and regional programs. (79509)
- h. A “disadvantaged community” means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. [79505.5(a)]
- i. “Matching funds” means funds made available by non-state sources, which may include, but are not limited to, donated services from non-state sources. Matching funds for a state agency may include state funds and services. [79505.5(b-c)]

## **B.2 – Specific IRWM Requirements**

- a. Department of Water Resources (DWR) shall administer 50% of the funds and the SWRCB shall administer the remaining 50% of the funds. [79560.1(a) and 79563]
- b. No project financed by this section shall include an on-stream surface water storage facility or an off-stream surface water storage facility other than percolation ponds for groundwater recharge in urban areas. (79560)
- c. No river or stream channel modification project whose construction or operation causes any negative environmental impacts may be financed unless those impacts are fully mitigated. The costs of mitigation or enhancement may be included in the project costs eligible for funding under Chapter 8. [79560 and 79560.1(b)]
- d. For purposes of carrying out this chapter, DWR and SWRCB shall jointly develop project solicitation and evaluation guidelines. (79560.5)
- e. Money shall be available for grants for water management projects that include one or more of the following elements:[79561(a-j)]
  - 1) Programs for water supply reliability, water conservation, and water use efficiency.
  - 2) Storm water capture, storage, treatment, and management.
  - 3) Removal of invasive non-native plants, the creation and enhancement of wetlands, and the acquisition, protection, and restoration of open space and watershed lands.
  - 4) Non-point source pollution reduction, management, and monitoring.
  - 5) Groundwater recharge and management projects.
  - 6) Contaminant and salt removal through reclamation, desalting, and other treatment technologies.
  - 7) Water banking, exchange, reclamation, and improvement of water quality.
  - 8) Planning and implementation of multipurpose flood control programs that protect property; and improve water quality, storm water capture and percolation; and protect or improve wildlife habitat.
  - 9) Watershed management planning and implementation.
  - 10) Demonstration projects to develop new drinking water treatment and distribution methods.

- f. DWR shall award grants to eligible projects consistent with an adopted IRWM plan. DWR may waive the requirement for consistency with an adopted IRWM plan until January 1, 2007, if the applicant is engaged in the development of an IRWM plan and indicates how the project fits into achieving the proposed IRWM plan objectives. [79562.5(a and c)]
- g. DWR shall establish standards for IRWM plans. At a minimum, IRWM plans shall address the major water related objectives and conflicts of the watersheds in the region covered by the plan, including water supply, groundwater management, ecosystem restoration, and water quality elements, and may include other elements. [79562.5(b)]
- h. DWR shall require that eligible projects include matching funds. However, DWR may waive the matching fund requirement for disadvantaged communities. [79562.5(d and g)]
- i. To be eligible to be funded by SWRCB, a project shall meet both of the following criteria: (79564)
  - 1) The project is consistent with an adopted IRWM plan designed to improve regional water supply reliability, water recycling, water conservation, water quality improvement, storm water capture and management, flood management, recreation and access, wetlands enhancement and creation, and environmental and habitat protection and improvement.
  - 2) The project includes matching funds or donated services.
- j. Any funds expended by the SWRCB shall comply with the requirements of the Integrated Watershed Management Program (California Public Resources Code, Section 30947). [79562.5(h)]
- k. For groundwater management and recharge projects and for projects with potential groundwater impacts, preference shall be given to projects subject to a groundwater management plan that meets the requirements of CWC Section 10753.7, or that includes the development of a groundwater management plan as a project component. [79562.5(e)]
- l. The maximum award for any single grant may not exceed \$ 50 million. [79562.5(f)]
- m. Not less than 40% (\$200 million) of the funds shall be available for eligible projects in northern California and not less than 40% (\$200 million) shall be available for eligible projects in southern California. "Southern California" means the Counties of San Diego, Imperial, Riverside, Orange, Los Angeles, Santa Barbara, San Bernardino, and Ventura. "Northern California" means all other California counties. (79564.1)
- n. DWR shall allocate not less than \$20 million for groundwater management and recharge projects. This funding will be split between northern and southern California, with not more than 50% of the funds being expended on projects in northern California. Specific preferences are included for southern California projects. (79561.5)
- o. SWRCB shall fund the development of one or more costal watershed management plans. (79563.5)

### **B.3 – Legislative Intent**

The Legislature (SB 1049, Committee on Budget and Fiscal Review, Statutes of 2003) in acknowledgement of the current fiscal crisis requires that Proposition 50 be administered in the most cost-efficient manner consistent with ensuring public participation in the development of program guidelines and outreach and technical assistance to communities throughout the state. This will be done by the following methods:

- a. Agencies shall use electronic communication, including publication of information on the Internet.
- b. Agencies shall determine the timing for development of guidelines and shall use any and all other efficiencies necessary to provide a public process for grant application and awards.

The Legislature also acknowledged that is necessary and desirable that the following principles apply to Proposition 50:

- a. Guidelines developed for grant and loan programs pursuant to that act shall encourage integrated, multiple-benefit projects.
- b. Preference shall be given to funding safe drinking water and water quality projects that serve disadvantaged communities.
- c. Programs shall support projects that improve local and regional water supply reliability.
- d. For projects that affect water quality:
  - 1) Preference shall be given to those projects that contribute expeditiously and measurably to the long-term attainment and maintenance of water quality standards.
  - 2) Preference shall be given to funding projects that will eliminate or significantly reduce pollution into impaired waters and sensitive habitat areas, including areas of special biological significance.
  - 3) The project shall include a monitoring component that allows the integration of data into statewide monitoring efforts, including, but not limited to, the surface water ambient monitoring program carried out by the SWRCB.
- e. Groundwater projects and projects that affect groundwater shall include groundwater monitoring requirements consistent with the Groundwater Quality Monitoring Act of 2001, Part 2.76 (commencing with Section 10780) of Division 6 of the CWC.

## **PART TWO – GRANT PROCESS SCOPING CONSIDERATIONS**

### **A. PROCESS ISSUES**

Based on the information presented in Part One, DWR and SWRCB are seeking input on the following issues concerning the grant solicitation process.

1. Number of funding cycles – one round, two rounds on two-year cycle, or other combination?
2. Application Process – Should there be (a) a concept proposal/full proposal two-step process, (b) a detailed one-step full application, (c) continuous application process?
3. Funding Reserves – Should some of the funds in Chapter 8 be reserved for feasibility studies, planning efforts and pilot projects? If so, what should be the timing of this funding relative to the construction project funding? Should there be other funding reserved for specific purposes?
4. Coastal Plans – Will the IRWM Plan standards be acceptable for integrated coastal watershed management plans? Should there be a separate standard? Should there be a separate process for funding the integrated coastal watershed management plan(s)?
5. Eligibility – Should project eligibility be limited to local public agencies, or should it include mutual water companies, non-profit organizations, and/or private entities?

### **B. EVALUATION CRITERIA**

DWR and SWRCB have identified a number of potential project selection criteria that may be applied to IRWM grants. We are seeking input on both the appropriateness of criteria, the manner in which criteria should be measured, and the relative weighting of the evaluation criteria.

The law requires that projects be consistent with an IRWM plan. One significant evaluation criteria issue (discussed in #1 and #2 below) is whether the content and development process for the IRWMP should be evaluation criterion as well as an eligibility requirement.

1. Degree of regional involvement
  - Size of geographic area. Is larger better? Is area appropriate to project or program?
  - Appropriate agencies participating – water agencies, land use, county, etc. – with the region.
  - Support from other regions – how does it benefit (or not impact) neighboring regions?

- Is there a regional plan adopted by the governing bodies of all involved agencies?
- Was there a regional planning process? Were projects and programs developed regionally, or is the plan simply a combined list of several agencies projects? Is there value added through regional approach?
- Does the plan address problems that cross boundaries between agencies? Does it create efficiencies or other added value through the regional approach?
- Is there a preference for regional proposals versus individual agency proposals that are part of a regional plan?
- Were the needs of disadvantaged communities incorporated into the plan?

## 2. Degree of integration

- Number of elements considered (may include imported supplies, local surface water, groundwater management/storage, flood control, wastewater treatment, recycled water, drinking water treatment, conservation, desalination, etc.) Does having more elements in a plan make it inherently better?
- Are the relationships between the elements clearly demonstrated? Is there additional benefit or reduced cost provided by consideration of multiple water management elements?
- Is integration with existing planning, such as Urban Water Management Plans, Groundwater Water Management Plans, basin plan objectives, general plans, etc, required?
- Was an integrated resource planning process used (is the program integrated or just a list of individual projects)? Is there any connection between the different types of planned projects?
- If only a subset of the IRWM plan is proposed for funding, how will additional elements be competed?
- Is there a preference for longer term planning?

## 3. Multiple Benefits/Multiple objectives

- Does the proposal improve water supply reliability or water quality?
- What is the range of objectives considered in the planning process?
- What is the distribution of benefits to water supply, water quality, the environment, flood control, recreation, etc.?
- Does the proposal have educational, outreach, or other capacity building components?
- How should we weigh the varying benefits of different projects or programs?

## 4. Consistency with statewide/regional priorities

- Does the project help meet statewide strategic planning goals, basin plan objectives, CALFED ROD objectives, delta water quality objectives, recommendations of floodplain management task force, desalination task force, recycling task force, environmental justice, etc.?
- Have regional priorities been developed and by whom? Does the proposal have a high priority in the region?

- Does the project reduce pollution to impaired water bodies/sensitive habitats?
5. Cost sharing
    - % of local or third party cost share. Mandated percentage versus preference based on percentage of cost share?
    - Is the project financially feasible for the applicant, i.e., can their reserves or rate base support the cost share, do they identify beneficiaries that will pay the cost share?
  6. Cost effectiveness
    - Benefit/Cost (B/C) ratio of realized benefits that meet primary objectives of the IRWM plan
    - Other quantified benefits
    - Was least-cost analysis of alternatives considered?
  7. Readiness to proceed
    - When will construction proceed?
    - When will benefits be realized?
  8. Technical adequacy
    - Does the proposal and each element demonstrate technical feasibility?
    - Is there a plan and sufficient data to complete CEQA/National Environmental Policy Act?
    - Is there sufficient baseline data and knowledge used to support the management actions described in the proposal?
  9. Public participation/Stakeholder outreach
    - Does planning include all interested parties and groups, including agencies, community groups, tribes, landowners, etc.?
    - Were negative comments addressed during planning process?
    - Will third party impacts be mitigated?
    - Is there broad support for the proposal?
    - Were environmental justice objectives met?
    - Were needs of disadvantaged communities in the region considered, and will these communities benefit from implementation of the proposal?
    - Are there preferences for disadvantaged communities/why?
  10. Need for the project
    - What are critical negative impacts of not implementing the project?
  11. Monitoring, Assessment, and Performance Measures
    - Are there appropriate performance measures to determine effectiveness of projects and programs?
    - Is the monitoring component of the project sufficient to measure success and does it integrate to statewide monitoring efforts?

- Is there flexibility to modify project or operations to meet objectives either before or after construction?

12. Durability/Long-term Operation and Maintenance (O&M)

- Long term effectiveness of project to meet objectives?
- Agency demonstration of financial ability to operate and maintain projects?

13. Applicant's ability and experience to conduct the project and administer funds

- Experience with previously implemented projects of the type
- Successful and timely completion of projects or studies previously funded by state grants and loans
- Does the applicant have current grant funding and the ability to administer additional funds/projects?

14. What should be the relative importance of the following general classes of evaluation criteria

- Effectiveness of proposed projects
- Value added to the effectiveness from an integrated regional planning standpoint
- Inclusiveness of integration and regional involvement in the planning process
- Meeting regional priorities
- Meeting statewide priorities

## C. STANDARDS FOR IRWM PLANS

DWR is required to award grants to projects that are consistent with an adopted IRWM plan (with a limited ability to waive such consistency) and to establish standards for IRWM plans. At a minimum, these plans shall address the major water related objectives and conflicts of the watersheds in the region covered by the plan, including water supply, groundwater management, ecosystem restoration, and water quality elements, and may include other elements. For SWRCB funding, projects must be consistent with an adopted IRWM plan designed to improve regional water supply reliability, water recycling, water conservation, water quality improvement, storm water capture and management, flood management, recreation and access, wetlands enhancement and creation, and environmental and habitat protection and improvement. Additionally, CWC Section 10530 *et seq.* (Integrated Regional Water Management Planning Act of 2002) defines the elements that may be “qualified projects” under an IRWM plan, and the “regional water management groups” that can adopt an IRWM plan.

Table 1, below, provides a list of potential IRWMP standards being considered for applicability to the grant program, as well as a justification for the inclusion of each potential element of the standards. Table 1 also includes several working definitions that DWR used in the development of the potential standards.

**Table 1 - Potential Standards for IRWM Plans**



Potential Standard	Rationale
Adoption Standard -	CWC Sections 79562.5 and 79564 require projects to be consistent with an adopted plan.
Description of the regional management group or regional agency responsible for the IRWMP. The group should meet the CWC Section 10537 definition. Include description of member agencies and their management responsibilities related to water. Demonstration that either the regional agency or each member agency has adopted the plan.	Conformance with existing law CWC Section 10530 <i>et seq.</i> Integrated Regional Water Management Planning Act of 2002
A figure showing the region encompassed by the plan and the appropriate internal boundaries to the region (service areas of the individual agencies, groundwater basin boundaries, watershed boundaries, land use jurisdictions, etc.)	Definition of regional.
Objectives – identify regional planning objectives and the manner in which they were determined. Planning should address major water related objectives and conflicts in the region covered by the plan.	
Explanation of the advantages of the regional plan. Include a discussion of the added benefits of the regional plan as opposed to individual local efforts. What objectives necessitate a regional solution?	Definition of regional. Demonstration of benefits from regional planning.
Presentation of the mixture of water management strategies employed in the plan. Include a discussion of how these strategies work together to provide a reliable water supply and/or improve water quality. Include a discussion of the added benefits of integration of multiple management strategies.	Demonstration of integrated strategies to attain objectives and goals. Demonstrated benefits of integrated planning
Document consideration of the following minimum water management elements: <ul style="list-style-type: none"> <li>• Imported water</li> <li>• Groundwater management</li> <li>• Conjunctive use</li> <li>• water recycling</li> <li>• water conservation</li> <li>• water transfers</li> <li>• surface storage</li> <li>• water and wastewater treatment</li> <li>• non-point source pollution control</li> <li>• storm water capture and management</li> <li>• flood management</li> <li>• recreation and access</li> <li>• wetlands enhancement and creation</li> <li>• environmental and habitat protection and improvement</li> <li>• watershed planning</li> </ul> (Not all options will have applicability in every region – a brief discussion of why an option is not applicable should be provided)	Typical water management elements that may benefit from integrated and regional planning. Elements identified in CWC 79561, 10540; Public Resources Code Section 30901 <i>et seq.</i>
Discussion of technical methods and analyses used in selection of management strategies.	Ensure the plan is developed using appropriate data and scientifically valid methods of evaluation.
Evaluation of potential negative impacts within the region and in adjacent areas.	

Potential Standard	Rationale
Identification of stakeholders and process used for inclusion of stakeholders in developing the plan.	Ensure a transparent, collaborative process and accurate assessment of obstacles, impacts, and identification of potential solutions to problems as they arise. Ensure social equity considerations were analyzed in development of the strategy portfolio?
Discussion of mechanisms and processes that have been or will be used to facilitate stakeholder involvement and communication during implementation of the plan. Include an identification of possible obstacles to plan implementation.	Ensure some mechanism exists for engagement and resolution of possible obstacles.
Discussion of how the identified actions, projects, or studies relate to planning documents held by the local agency(ies). Discuss how these local agency planning documents relate to IWRMP strategies and the dynamics between the two levels of planning documents.	CWC sections related to Urban Water Management Plans, Groundwater Management Plans, Watershed Management, Flood Management, Water Quality, Drinking Water, etc. Ensure that regional planning is responsive to local planning and vice versa. Ensure that plans are dynamic, and useful rather than stagnant, useless, and superceded.
Identification of specific actions; projects; or studies, ongoing or planned, by which the IRWMP will be implemented. Identify the local agency(ies) responsible for project execution.	Speaks to making the regional plan an implementable plan through projects, actions, etc.
Presentation of timelines for active or planned projects. Include a discussion of how priorities have been set and potential funding sources for future projects.	Implementability and accountability
Monitoring and Assessment of Performance. Discuss measures that will be used to evaluate project/plan performance, monitoring systems that will be used to gather performance data, and opportunities to adapt project operation and plan implementation based on monitoring of performance.	
Identify statewide or state agency priorities that will be met or contributed to by implementation of the plan or specific projects.	Ensure that broad public benefits being realized beyond the localities making up the region.
Identification of State agencies involved with strategies, actions, projects. Identification of areas where a State agency or agencies may be able to assist in communication or cooperation, or implementation of plan components or processes.	
<p style="text-align: center;"><b>WORKING DEFINITIONS</b></p> <ul style="list-style-type: none"> <li>• “Integrated” means the use of a combination of varied water management strategies that provide for a long term, reliable water supply; improve water quality; improve flood control, protect or restore environmental resources, and provide other benefits at the lowest reasonable cost and with the highest possible benefits to the public, economic development, and environmental quality.</li> <li>• “Regional” means a geographic area greater than the jurisdictional boundaries of any one local public agency. The physical area, efficacy, and benefits derived from a regional plan are impacted by many variables (physical, political, environmental, societal, and economic) therefore no physical size or dimension is assigned to this term in this context. Rather the IRWM Plan must define its regional nature and explain why the region it encompasses yields effective, synergistic, efficient water management planning.</li> </ul>	

#### **D. TENTATIVE SCHEDULE FOR IRWM GRANT PROGRAM**

The schedule below is based on current projections of staff and funding availability to implement the program. Please comment on the tentative schedule.

Hold scoping meetings to get input from interested agencies on guidelines to use for grant application	March 2004
Post draft grant application on DWR/SRWCB web-sites for public review	May 2004
Hold public meetings on draft grant application – one in Northern California and one in Southern California	June 2004
Receive comments on draft PSP application	June 2004
Prepare final grant application	July – Sep 2004
Hold application workshops in various locations throughout California	Oct 2004
Applicants prepare proposals	Oct 2004 – Jan 2005
Proposal due DWR/SRWCB	January 2005
Announce initial funding recommendations & hold public meeting	May 2005
Award selected projects	June 2005
Execute Contracts	June – December 2005